THE

FALL IN THE GOLD PRICE OF SILVER

AND

THE CLOSING OF THE FRENCH MINT.

HENRY HUCKS GIBBS.

1892.
LONDON:
EFFINGHAM WILSON, Royal Exchange.
MANCHESTER:
J. E. CORNISH, 16, St. Ann's Square.

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PREFACE.

THE following Paper arose from a statement printed in *The Times* of February 1st, 1890, that the fall in the price of Silver was the cause and not the effect of the closing of the French Mint to that metal.

I asserted, and I think I show in this Paper, that it was the effect, and that it could not have been the cause; or, to speak more exactly, that the law under which, until September, 1873, a fixed and definite price of 6·34554 francs, less a small discount, had been given for the ounce standard $\frac{222}{240}$ fine, just as 77/10½ was and is given here for the ounce of standard Gold, necessarily maintained the price of silver, and that it was impossible that the price should have fallen as it did, but for the restrictions then and afterwards placed upon the delivery of the coin, and for the final exclusion of silver from the Mint.

A writer in *The Times* thought, and it will be seen that M. Sudre, of the Paris Mint, then expressed the same view, that the fall of the price of Silver having begun from other causes, the new restrictions imposed by the Mint gave it but a slight help on its downward way; but the point on which I insist in these pages is, that those restrictions were the sole cause and instrument of each successive decline in price, and that the several falls in price precisely corresponded with each decline in the value of the sum payable by the Mint.

I show that time after time in former years the price has fluctuated more and fallen more than it did in the period in

question, and that no project of closing the Mint to Silver is known to have been suggested; and that the course which the French Authorities pursued was one which needed no other real inducement than the excessive "inflow of Silver from Germany into the French Mints."

There was indeed a fall of price, as there had often been in previous years, before any interference had taken place with the normal operation of the law of 1803, viz., from 60·25d. in April, 1872, to 59·75d. in May, 1873—that is to say, a gradual decline over a period of thirteen months, to the extent of ½d. per ounce. It is true also that apprehension of what would follow if the Mint were to be closed, caused the price to fall nearly another ½d. in the ensuing three months; but when the suspension of the Mint law really began, under the decree of September 6th, 1873, the price fell another 1d. by December 30th in that year, and declined *pari passu* with the further suspension, both fluctuating violently and falling rapidly when the Mint was finally closed in 1876 and the barrier which prevented further fall was broken down.

I show that as the price of Silver, like that of all other commodities, must fluctuate with the Supply of it and the Demand for it, so the open Mint in France acted as a perpetual demand at a fixed price would act, and that accordingly the price here could never fall below what the seller believed was the equivalent of the frs. 6·34554 which he would get in France.

I show that the grounds of the seller's belief must lie in his estimate of the value in sterling of his draft on Paris if he should send his Silver to the French Mint, and that he would necessarily compare the price so obtainable with the price offering in the English market, and accept no price here that should be lower than he could get by sending his Silver abroad.

Accordingly I give a table (p. 17) showing the English price that should correspond to the fixed price at the Paris Mint according to several quotations of Paris exchange; and another (p. 22), showing the actual quotations of price and exchange; also a chart, showing the lines of price and of exchange where they approximate and where they diverge, and where on two occasions they appear to have actually crossed, the first being in 1848, during the revolutionary period, and the second in the last months of 1873, owing to the uncertainty of exchange and the greater uncertainty of the due-date and consequent amount of discount on the Mint Certificates *(bons de monnaie)*.

PREFACE TO THE SECOND EDITION.

No preface would be needed for this Second Edition of my Essay, but that I have been told that it may not have been fully understood by some of its readers; and in particular I see that Dr. Giffen, in a note to one of his articles lately reprinted, says that "having done his best" he has "been unable to follow my reasoning." If then he has been at fault, it seems not wholly improbable that others not familiar with the operation of the Foreign Exchanges, and with the general principles which govern buyers and sellers, may have also found some difficulties in it, and these I have now endeavoured to lighten. The reasoning is not faulty, I am very sure of that; and neither Dr. Giffen nor anyone else has attempted to point out any error either in the premisses or in the conclusion. But my mode of expression may have been too hard for some of the babes and sucklings of commerce, who may yet have really desired to follow the problem to its solution, and I have therefore carefully revised it, making no material change, but bettering the arrangement.

I will here, in the shortest possible form of words, set down the main facts, leaving my readers to supply the reasoning for themselves. It will cause them no great strain on their mental powers.

Until 1873 the French Mint coined Silver for all comers, giving a certificate, or voucher, for 200 francs per kilogramme, due in ten days.

Anyone in England could send his kilogramme of Silver to Paris, sure of receiving the sterling equivalent of 200 francs, less 10 days' discount, at the exchange of the day.

Or—he might sell it for less.

The import of Silver into England exceeded the export during the thirteen months beginning with April, 1872, but not so much as in former years; nor did the price fall as much during that time as it had fallen in former years.

But in September, in order, as M. Sudre says, to arrest the inflow of Silver from Germany into the French Mint, the closure of the French Mint began. The due date of the vouchers was postponed, increasing of course the deduction for discount, and diminishing the amount of cash obtainable for the kilogramme of Silver.

The Mint Authorities, as time went on, by successive decrees further postponed the due dates of the vouchers, until in 1876 those issued had no less than 19 months to run; the amount of discount for cash payment increasing accordingly.

The English holder could during all those years still send his Silver to Paris and draw at the current exchange for the net amount remaining, receiving its equivalent in English sterling.

Or—he could sell it for less.

In fact the minimum English price varied, and had during the whole time varied exactly with the discount and exchange.

Was its fall, or was it not, consequent on the increased discount, *i.e.*, on the partial closure of the Mint?

In 1876 the French Mint closed its doors to Silver.

The English holder of Silver had then *no* minimum price of which he was certain, to set off against the offers of his buyers; and the price therefore fell, and continued to fall, as supply overpassed the diminished demand.

Was then that fall, or was it not, consequent on the closing of the French Mint?

In other words, Did the open Mint for both metals, at a fixed ratio, with legal tender for the coins, afford a minimum below which the price of neither metal could go?

If these questions are answered in the negative, it will be interesting to learn what did produce the effects related, and how it did it.

At present we have only the fact, which no one denies, that the authorities of the Mint took certain action which necessarily reduced the cash value in France of the Mint voucher, and the assertion of some monometallists that that had little or no bearing on the English price.

If the questions are answered in the affirmative, the open Mint in France and the certain price paid by it for Silver, in other words the Bimetallic law, was a potent factor in maintaining a steadiness of price of the metal.

Yet I fear that Dr. Giffen will continue to aver that it was not; and to point to Chapter VI. of his book as conclusive proof of his assertion. And why? His argument requires a Bimetallism of its own, which no Bimetallist ever desired and no State ever enacted: a system under which Gold and Silver must of necessity be in concurrent circulation, and where the State engages to give either for the other; and he easily shows that it did not exist, and consequently could neither raise, lower, nor maintain the price of Silver.

But the law of 1803 prescribed neither of those two things—the one an impossibility and the other a folly—but limited itself to prescribing the weight of the coins that it would issue, and declaring them legal tender. The open Mint, under those circumstances, produced the results given above.

What effect the premium on Gold had on the foreign price of silver is shown in the following pages. It was solely a matter of export and of international balances. In the French markets it had practically no effect at all. No salesman had then, or has now, two prices, a price when paid in Gold, and another when paid in Silver.

HENRY H. GIBBS.

Aldenham House, nr. Elstree, Herts,
November, 1892.

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WHAT were the causes of the steadiness of the price of Silver in the London market during the first seventy years of the present century; of the slight decline which took place at various times during that period, and again in the years 1872 and 1873; of a marked decline in the price during the last three months of 1873; of its continuing its downward course at certain intervals down to the middle of 1876; and then, as if all sustaining power had been lost, of its fluctuating hither and thither like that of any other commodity?

What, again, were the causes which impelled the French Government to suspend, partially at first, and then wholly, the operation of their Mint laws in respect to Silver?

It has been asserted that the former phenomena were the cause of the latter; that the heavy fall of the price of Silver in London compelled the French to have recourse to that unprecedented action in self-defence.

It is the purpose of this paper to show that no such heavy fall existed until the French Mint price had been altered; that no fall at all had taken place but what was to be accounted for by the natural course of trade, and had frequently and to a greater extent occurred in former years; and that therefore it was certain that the successive steps taken by the French Mint authorities were the cause and not the effect of the successive falls in the quoted price in London.

In order to obtain the precise data which should confute or corroborate this view, I requested Sir Charles Fremantle to ascertain from the Mint authorities in France what had been their exact course of action in 1872-3, and how far the material fall in the price of Silver corresponded in its dates with the successive limitations of the accustomed freedom of coinage. The following memorandum by M. Sudre, dated the 10th February, 1890, was the first response.

MEMORANDUM.

"The importation of Silver Bars, coming chiefly from Germany, commenced in the course of the year 1873, when the minting of 5-franc pieces in France reached, in round figures, the sum of 155 million francs.

In these circumstances, the following measures were taken to arrest the inflow of Silver Bullion to the French Mints:—

6th September, 1873. Decree of the Minister of Finance, enacting that, until further order, the Mint Warrants (or Certificates) delivered by the Mints of Paris and Bordeaux should not represent a larger daily manufacture of 5-franc pieces than the amount of 280,000 francs.

Two months afterwards, 17th November, 1873, a further decree of the Minister, limiting to 150,000 francs the maximum daily minting of 5-franc pieces.

Dating from 1874, and down to 1876, a conference of Delegates of the Latin Union fixed the amount of 5-franc pieces which might be coined by each of the States.

France was set down for

In 1874	... ...	60,000,000
1875	... ...	75,000,000
1876	... ...	54,000,000
1877	... ...	27,000,000

but the receipts during the first half of 1874 were so considerable that in the month of July, 1874, the due dates of the Warrants *(bons de monnaie)* were postponed to the month of April, 1875.

In the month of June, 1875, the due dates reached the 31st December, 1876, and thereafter the Warrants were delivered during the year 1877 at the rate of 75,000 francs a day.

Finally, at the time of the closing of the Mints to the receipt of Silver Bullion, in virtue of the law of the 5th August, 1876, the due dates of the Warrants extended to the 13th December, 1878."

This document gave me, in part, the information which I required, but not the whole of it. I wished to know not only what restriction was placed on the quantity of Silver to be coined, but the successive due-dates that had been fixed in 1873 for the Mint certificates. Restrictions of quantity would impede the immediate turning one's bullion into money (the rule being, I suppose, "first come, first served"), and thus would tend of course to lower the price of bullion. But they are not precisely the same as the postponement of the due-dates of the Mint certificates (*échéances des bons de monnaie*), though the latter would be a natural concomitant of the former.[1]

We know that the law of the French Mint is analogous to our law (of 1844).[2] Here we receive through the Bank of

[1] There is no intrinsic difference in the effect of the limitation of coinage and the postponement of the due-date of the *bons de monnaie;* the difference is only in the power of the remitter to make his calculation. The limitation of the quantity to be coined gives him no idea when he or any particular bringer of Silver to the Mint will be served; but the due-date of the *bons de monnaie* enables him at once to calculate his loss of interest, *i.e.*, the discount he has to pay, and the precise sum in cash which will be at his disposal.

[2] A passage in a leading article of the *Times* of August 13th, 1890, in describing what the writer thinks are the mischievous follies of the Silver Bill of the United States Congress, which came into operation on that day, gives unconsciously, but with absolute accuracy, the bearing of the Act of 1844, except that the folly of the United States is limited to the purchase of 4,500,000 ounces a month, while our folly, if folly it be, imposes no limits on itself, His words are:—

"These are the principal provisions of this remarkable Act, which compels the United States Government to buy a certain commodity, Silver, and hold it,

England vouchers called Bank Notes for the gold brought in, less an allowance representing the interest which would be lost in waiting one's turn at the Mint, and the brokerage which one would have to pay. In France one receives a certificate called a *bon de monnaie* for the full coin value of the specie brought in, less Mint charges, but payable in coin, normally ten days from the date of import. This *bon de monnaie* was paid into one's bankers, and was, of course, discountable, the discount at 3 per cent. for ten days amounting to fr. ·005215 per ounce, diminishing *pro tanto* the cash value. The discount necessarily increased and the cash value decreased accordingly with each successive postponement of the *échéance* (due-date).

It appeared that in July, 1874, the *échéances* had already been carried to April, 1875—that is to say, with a nine months' delay. This cannot have been the first of such measures; and what I especially desired to know was, in what month and year the *échéances* of the *bons de monnaie* were first postponed, and to how distant a date; and by what successive steps (specifying both the date and the length of postponement) the *échéances* reached the nine months of 1874 and the nineteen months of 1875.

It was precisely the data before July, 1874, that I wanted, rather than those after that date, and I wished especially to ascertain whether the postponement of the *échéances* had begun as early as May, 1873; and I learned from a second memorandum to be quoted presently that they had not.

M. Sudre, in his covering letter dated 28th March, 1890, attributed the action of the French Government mainly to

issuing in the meantime to the sellers Warrants which the public are compelled to receive as money."

Mutatis mutandis they would run thus :—

"These are the principal provisions of this remarkable Act [of 1844] which compels the English Government, through the Bank of England, to buy a certain commodity, Gold, and hold it, issuing in the meantime to the sellers Warrants [Notes] which the public are compelled to receive as money."

the fall in the price of Silver, which he said had already taken place before 1873. Where had it fallen, and in what was the fall measured?

Surely not in France, nor measured in francs; for it is inconceivable that in the absence of alterations of the *échéances* of the *bons de monnaie*, or of limitations of the quantity to be coined, any man who could by law demand 200 francs from the Mint for his kilogramme of Silver would be content to take 199 or any less quantity from any buyer. Just as it is inconceivable that an English holder of a like quantity of Silver would take less than 60d. an ounce for it, so long as he could send it to Paris for coinage and have 200 francs put to his credit without delay, and as long as the exchange at which he could draw for them in this market would give him that result.

It seemed certain, then, that it was in this country, as the central mart for Silver, that the fall is supposed to have taken place; and I have to inquire whether it did fall, and if it did, whether the fall was abnormal, what it was that caused it, and whether it was that, or, if not, what else, that influenced the action of France. To take this latter point first. I believe that a reasonable fear was the cause of the action of France; fear, not on the part of the holder of Silver, who had nothing to fear while the law remained intact, but on the part of the Government and Mint authorities, who feared—not without reason—that they would be overwhelmed with the work of coinage. Perhaps also there may have been in some minds a fear that the Gold would depart from the country as it had done before, though no one had then been the worse for it, and though each napoleon that went away left 20 silver francs behind it, plus an agio.

Fear caused certain administrative measures to be taken, and these, when taken, made the heavy fall which afterwards occurred possible. Added to this fear was the very natural

jealousy of Germany, and the reasonable indisposition to make the demonetisation of her Silver easy to her, and at the same time burdensome to France herself.

The other points, namely, the amount, character, and causes of the fall of Silver in England, shall be dealt with later on.

The second memorandum, above referred to, was as follows:—

Memorandum.

"During the years 1871 and 1872 the imports of Silver Bullion destined to be converted into 5-franc pieces were, one might almost say, *nil*. It was only following upon the fall which occurred at the end of 1872 in the price of Silver on the London Market that the imports of this metal began to flow into the French Mints. Up to the date of the Ministerial decree of the 6th September, 1873, no legal limit was placed upon the due-date (*échéance*) of the Warrants, and the coinage took place in accordance with the resources which the Directors of the Mints had at their disposal. The total for 1873 was in round figures 155 millions of francs—that is to say, one of the largest coinages since the beginning of the century.

Dating from the decree of the 6th September, 1873, the Warrants were only issued at the rate of 280,000 francs for each working day; then, by the decree of the 7th November of the same year, this figure was reduced to 150,000 francs.

It is thus solely by reason of the application of the provisions contained in these two decrees that the due-dates of the Warrants came to be postponed in July, 1874, for nine months, and afterwards to a still more distant date.

Thus the restrictions placed upon the due-dates of the Warrants date solely from the decree of the 6th September,

1873, a decree of which the tenour was indicated in my letter of the 10th February last. Before that no measure was taken with this end in view by the French Government."

The foregoing memorandum sufficiently answered my questions, and enabled me to deal with the allegations of the writer in *The Times* of February 1st, 1890.

My thesis was that the French law of 1803 necessarily gave approximate stability to the price of Silver in Gold-using countries, and that when the law was finally suspended the price of Silver fluctuated just as the price of other commodities would do.

The allegation on the other side is, that the French law had nothing to do with it, being wholly without effect, that Silver had fallen long before there was any change in the law, and that its fall was the cause of the change in the law. *The Times*, commenting on this, said that this statement, if true, was conclusive of the whole controversy.

It will not be difficult to show that, though there is a small portion of apparent truth in the statement, it does not at all dispose of my contention, but on the contrary serves to elucidate its accuracy.

The questions then which I have to discuss are: Did Silver fall between April, 1872, and September, 1873, and to what point did it fall? What was the character and cause of the fall? and how did the suspension of the law, which began at this latter period, affect its further fall?

Before answering them, let me compare the position of Silver in France with the position of Silver in this country. In France the position was this: For a kilogramme of Silver 900 fine one could always be sure of 200 francs (less mintage) payable on the nail in *bons de monnaie* (Mint certificates) due in cash ten days after date of import, and of course discountable at a banker's. Now, a kilogramme of 900 fine

is equal to 31·28179 standard ounces ($\frac{222}{240}$ fine)—(a kilogramme=32·150727 oz.).

One ounce standard, therefore, was coined into	frs. 6·39349
less Mint charges ·75 per cent.	·04795
	frs. 6·34554
rom this must be deducted ten days' discount on the *bon de monnaie*	·00521[1]
	frs. 6·34033

Therefore when a holder of Silver in France could get in cash frs. 6·34033 per ounce, by sending his Silver to the Mint, it is inconceivable that he would sell it to a silversmith or to any one else for a less sum—say for frs. 6·250; just as it is inconceivable that an English holder of a bar of standard Gold, who can get £3. 17s. 9d. per ounce from the Bank of England, would sell it to a goldsmith or to any one else for £3. 17s. 8d. or other less sum.

The position of Silver in England was this: For it, and for no other commodity purchaseable or saleable in this market (I exclude Gold as being itself the measure of valne) was there a perpetual buyer at a fixed price always at hand. The holder of the metal could send it to France to be coined, and the *bon de monnaie* would be on a definite day in the hands of his correspondent, on whom he would draw, selling his draft on 'change, and thus converting his Silver into English sterling. Can any one believe that he would sell his silver to a silversmith or to any one else in the English market for any sum less than that which he could get for his draft?

What would that sum be? Frs. 6·34033 is the gross amount which he as a remitter of an ounce of Silver to

[1] In England there are no Mint charges on gold, but the discount for payment on the nail and the charge for agency are provided for by the fixed allowance of 1½d. per ounce, the difference between the Mint price and the 77s. 9d. payable by the Bank.

Paris would have there in cash at his disposal; and this, at the exchange of 25·2215 (par), would produce in London 60·332d.,[1] less transport and insurance charges, $\frac{1}{6}$ of 1 per cent. on the declared value = about ·100, and less $\frac{1}{2}$ per cent. for agency in Paris = about ·300 more; in all ·400, leaving 59·932d. net. Thus an ounce so coined—

When Exchange is at	Will produce in London. d.	Deduct for Transport, &c.	d.	Net Proceeds.
25·2215 (par)	60·332	·400	59·932	about 5/-
25·35 (gold point)	60·026	·400	59·626	
25·40	59·908	·400	59·508	„ 4/11½
25·45	59·790	·400	59·390	
25·50	59·673	·400	59·273	
25·55	59·556	·400	59·156	„ 4/11¼
25·60	59·440	·400	59·040	
25·65	59·324	·400	58·924	„ 4/11
25·70	59·209	·400	58·809	
25·75	59·094	·400	58·694	
25·80	58·980	·400	58·580	„ 4/10½
25·85	58·866	·400	58·466	
25·90	58·752	·400	58·352	
25·95	58·639	·400	58·239	„ 4/10¼ *
26·—	58·526	·400	58·126	

The precise amount of English sterling will of course depend upon the exchange (as is the case with all debts due from one country to another, and payable by draft), and the above table shows what that amount would be as exchange varied. The higher the exchange, *i.e.*, the more of the minted francs each pound sterling absorbed, the less would be the net proceeds. It is obvious, therefore, that the smallest rise in the exchange, unless balanced by special demand for the metal, should operate adversely on the London price of Silver. It was impossible, then, that while the law remained intact, any lessening of demand or increase of supply (from whatever

[1] Excluding the deductions for mintage, discount, and transport, the ounce standard coined at the Paris Mint would produce in London, exchange being at par, 60·838d., or, say, 60⅞d.

* See on p. 22, a table of actual exchanges and Silver prices.

source[1]) could cause any one to be willing to take less for his ounce of Silver than 59·932d. so long as exchange remained at par.

While there was Gold in France and no impediment to its transmission, it would be impossible that exchange should rise above "Gold point"[2] (which is normally 25·35); but if there were no Gold there, and none obtainable elsewhere by way of arbitrage there might be nothing for the moment to prevent the price of Silver here from falling in proportion as the exchange might happen to rise, supposing the balance of trade to continue increasingly adverse to France. It has been said that there were times when there *was* no Gold in France. This assertion is of course not to be taken literally, but only as a hyperbolical expression of the fact that Gold was not at such times in active circulation in the pockets of the people. But it is not the Gold so circulating and used in the daily purchase of necessaries of life which in that relation affects foreign exchanges, but the Gold which forms a part of the reserves of Banks, or others. That this last was both existent in the country and easily obtainable, has been, I think, abundantly demonstrated; but whether the contrary was true or not at other times, it was certainly not true in 1873, for there was an agio on Gold,[3] and

[1] The first sale of Silver from Germany in London was in October, 1873.

[2] When the exchange reaches such a point that it is cheaper to remit Gold than to buy bills, it is said to be at "Gold point." Thus, suppose it to cost less than frs. 25·35 to send the equivalent in Gold of one sovereign from Paris to London, it is obvious that no one will give 25·35 for a bill of exchange on London. If there were no Gold to send there might conceivably be no limit to the rise of the exchange. If there were Gold to send, but an agio on it, the rise of the exchange above "Gold point" should be proportionate to that agio.

[3] The agio on Gold or Silver in a bimetallic country, where the measure of value is alternately at the option of the payer a fixed weight of either Gold or Silver, merely represents the premium which the buyer may be willing to pay for a commodity which cannot be legally demanded in discharge of a debt. It has been said that the agio shows the failure to maintain the legal ratio. It is on the contrary the proof of its continuing intact; being the acknowledgment

there could not be an agio on a non-existent or non-available substance. Besides, one cause of the alarm in France (evinced in some degree by that agio) is said to have been that her Gold was leaving and would continue to leave her. It could not leave her if it was not there. Certainly, therefore, it was there, and whether in general circulation or not would serve (which is the point I desire to emphasize) to check the rise of the exchange above the Gold point, whatever that might be, and thus prevent the fall of Silver beyond the price corresponding to the exchange on the 6·34033 francs per ounce.

I say "whatever that might be," because the "Gold point" itself fluctuates slightly in correspondence with the agio (if there is an agio) on the metal.

All that the open Mint in France could do was to give 6·34554 francs for an English ounce Standard, which is re-

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of the persistent force of the Bimetallic Law, which gives the debtor the choice of the two metals at that ratio, and enables him to demand a reduction of the actual amount of the debt if he gives up the privilege of choice.

The quotations of agio on gold and silver bullion and on gold coin for December, 1871 and 1872, and for February, 1873, are as under:—

	On Gold.				On Silver.	
	In Bar.		In Coin.		In Bar.	
	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.
Dec. 1871	15 o/oo	15 o/oo	16 o/oo	8½ o/oo	36 o/oo	36 o/oo
Dec. 1872	14 o/oo	11½ o/oo	9¾ o/oo	6⅜ o/oo	17½ o/oo	13½ o/oo
Feb. 1873	11½ o/oo	10½ o/oo	6½ o/oo	2 o/oo	16 o/oo	10 o/oo

When gold bullion is required for export the agio on bullion may exceed that on coin to the extent of 6·70 per mille, which is the Mint charge for coining Gold.

The quotation of a considerable agio on both metals at the same time is probably accounted for by the fact that prices were reckoned in inconvertible paper, though it would appear that irrespective of the reckoning in paper there might be a simultaneous agio on both metals in the event of both being required for export to gold and silver using countries at the same moment. The agio on bar is the more intelligible, because coin alone could be demanded. Thus there is at this moment (November, 1892) an agio on bar gold in England, the price being £3. 18s. 0d., or even £3. 18s. 0½d.

It should be further noted that the quotations of silver bullion represent the "nominal agio," but as this metal is still quoted at a premium or discount on the basis of the old "commercial tariff," as it is called, the *real* agio should probably be about 7½ *o/oo* less in each instance.

duced, after deducting discount, to 6·34033 francs; and if 6·34033 francs an ounce is worth in this country less than 59·932 pence an ounce, the price may fall accordingly to the sum in pence which those francs may be worth, unless the English demand sustains it.

At the period in question, *i.e.*, between April, 1872, and September, 1873, the demand did so far sustain it, that it never practically fell below the point where the operation of the French Mint would have come into play—never reached the impassable [1] barrier which that Mint had set up.

To come now to the questions above stated on p. 15: Did Silver fall during that period from the par price of 59·932d.? Certainly it did; the first notable downward change taking place on the 15th October, 1872. Natural causes would affect silver, as they would all other commodities, whether for rise or fall; but to the *fall*, inasmuch as the demand was perpetual and at a fixed price, there was a limit formed by that fixed Mint price and the exchange at which it (or any larger price obtainable in the market if there was an agio on Silver) could be converted into sterling; and below that limit there could be no material fall.

Let us see whether those natural causes were such as would lower the price of Silver in 1872-3.

Had there been a great increase of imports or a great falling off in the demand for exports for coinage or for the arts, there might have been cause for a decline down to the French Mint price; but the following table (extracted from Pixley & Abel's circular) will show that the excess of imports

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[1] The barrier *is* impassable, wherever it may stand at any given moment; but it may shift its place (by centimes, as the exchange rises or falls) from hour to hour; I exclude, however, this element of speculation on the part of buyer and seller, and say that no man would sell his Silver for a less price than *he believed* he could or should get by sending it to Paris and drawing for the value in francs at the quoted exchange.

was less in 1872 than it had been in five of the preceding years; less in 1873 than it had been in two of them (during which the price had been: Lowest, $60\frac{1}{4}$d.; highest, 62d.), and that the average of 1872-3 was only £1,400,000 higher than in 1866, when the prices were $60\frac{3}{8}$d. lowest, 62d. highest.

	Imports of Silver.	Total Exports.	Excess of Import.	
1862.—	£11,753,000..	£10,091,460..	£1,661,540	
1863.—	10,888,130..	8,263,011..	2,625,119	
1864.—	10,827,300..	6,254,004..	4,573,296	
1865.—	6,980,000..	3,598,058..	3,381,942	
1866.—	10,778,000..	2,365,626..	8,412,374	Average, £7,290,080.
1867.—	8,020,000..	642,912..	7,377,088	
1868.—	7,716,420..	1,635,642..	6,080,778	
1869.—	6,730,000..	2,362,943..	4,367,057	
1870.—	10,649,000..	1,579,473..	10,069,527	Average, £11,438,527.
1871.—	16,520,000..	3,712,473..	12,807,527	
		Average Excess....	£6,135,425	of Imports over 10 years.
1872.—	£11,140,500..	£5,654,451..	£5,486,049	
1873.—	12,302,220..	2,497,576..	9,804,644	
		Average Excess....	£7,645,346	over two years.

The following table (p. 22) shows the actual exchanges (short *maximum* rate) from April, 1872, to September, 1873, and the actual prices of Silver in London; also, in the last column, the price (calculated from the data on page 17) which a consignment to the French Mint should be expected, at the given exchange, to secure to an English holder.

Date.		Exchange. (From Lutyen's List.)	Actual Price in London.		Net Price obtainable by sending to the French Mint.		Profit per oz.
			s.	d.	s.	d.	Pence.
1872	April 19	25·37½	5	0·25	4	11·567	. .
	May 3	25·37½	5	0·125	4	11·567	. .
	„ 24	25·50	5	0·125	4	11·273	. .
	June 7	25·50	5	0·0625	4	11·273	. .
	„ 28	25·45	5	0·125	4	11·390	. .
	July 5	25·45	5	0·125	4	11·390	. .
	„ 30	25·65	5	0·125	4	10·924	. .
	Aug. 2	25·85	5	0·125	4	10·466	. .
	„ 20	25·70	5	0·063	4	10·809	. .
	Sept. 17	25·70	5	0·375	4	10·809	. .
	„ 27	25·60	5	0·438	4	10·040	. .
	Oct. 15	25·70	5	0	4	10·809	. .
	Nov. 1	25·77½	4	11·813	4	10·637	. .
	„ 19	25·72½	4	11·25	4	10·751	. .
	Dec. 6	25·70	4	11·625	4	10·809	. .
	„ 31	25·60	4	11·75	4	11·040	. .
1873	Jan. 10	25·60	4	11·813	4	11·040	. .
	„ 28	25·60	4	11·875	4	11·040	. .
	Feb. 11	25·55	4	11·875	4	11·156	. .
	„ 25	25·45	4	11·813	4	11·390	. .
	Mar. 11	25·50	4	11·813	4	11·273	. .
	„ 25	25·47½	4	11·875	4	11·331	. .
	April 8	25·50	4	11·75	4	11·273	. .
	„ 29	25·50	4	11·75	4	11·273	. .
	May 9	25·45	4	11·75	4	11·390	. .
	„ 27	25·60	4	11·438	4	11·040	. .
	June 6	25·65	4	11·438	4	10·924	. .
	„ 17	25·67½	4	11·25	4	10·867	. .
	„ 20	25·67½	4	11·313	4	10·867	. .
	„ 27	25·60	4	11·313	4	11·040	. .
	July 1	25·60	4	11·313	4	11·040	. .
	„ 4	25·60	4	11·313	4	11·040	. .
	„ 8	25·60	4	11·313	4	11·040	. .
	„ 11	25·60	4	11·313	4	11·040	. .
	„ 15	25·60	4	11·313	4	11·040	. .
	„ 22	25·60	4	11·375	4	11·040	. .
	Aug. 8	25·52½	4	11·188	4	11·214	·026 = ·04%
	„ 12	25·52½	4	11	4	11·214	·214 = ·36%
	„ 26	25·47½	4	10·813	4	11·331	·518 = ·88%
	Sept. 12	25·47½	4	11·125	4	11·331	·206 = ·33%
	Dec. 30	25·42½	4	10	4	11·449	1·449 = 2·5%

The question, To what point did it fall? is answered by the above Table; and it will be seen that down to the end of July, 1873, the price in no case fell below the point indicated by the exchange—did not even fall so low as that point, the demand sufficing to keep it on a somewhat higher level. Had the demand been greater or the supply less, it might of course have *risen* to any point, and in any case if the exchange had been more favourable the open Mint would have maintained the price; but however little the demand and however great the supply, it could not have *fallen* materially below the exchange point while the Mint remained open.

What was the character and cause of the fall? It was in no respect abnormal; for such as it was, it was much less than had frequently happened in former years. I add a table of prices from 1827 to 1850:—

LOWEST PRICES OF SILVER IN LONDON FROM 1827 TO 1850.

Year.	Lowest.	Year.	Lowest.
1827	59½*d*.	1839	60*d*.
1828	59¼	1840	60⅛
1829	59½	1841	59¾
1830	59¾	1842	59⅛
1831	60	1843	59
1832	59¾	1844	59¼
1833	58¾	1845	58⅞
1834	59¾	1846	59
1835	59¼	1847	58⅞
1836	59⅜	1848	58½
1837	59	1849	59½
1838	59⅜	1850	59½

Thus it will be seen that during that period of twenty-four years there was a fall—

in 1 year	of	$1\frac{1}{4}$d.	beneath the par price.
,, 2 years	,,	$1\frac{1}{8}$d.	,,
,, 3 years	,,	1d.	,,
,, 1 year	,,	$\frac{7}{8}$d.	,,
,, 3 years	,,	$\frac{3}{4}$d.	,,
,, 2 years	,,	$\frac{5}{8}$d.	,,
,, 4 years	,,	$\frac{1}{2}$d.	,,
,, 4 years	,,	$\frac{1}{4}$d.	,,

In the year 1848 the price of Silver, possibly owing to political disturbances, had fallen to $1\frac{1}{2}$d below the par price; but neither then nor at any other period when the fall was almost as great did we hear of any project for closing the Mint to Silver. Whereas during the whole period of thirteen months, beginning with April, 1872, the total fall was but $\frac{1}{2}$d., and $\frac{1}{2}$d. more in the three months ending August, 1873.

There could be no question about the cause of the rapid fall after September, 1873, when restrictions were placed on the coinage, and the discount from the cash value having been before that date for ten days only, reached by successive postponements of the due date no less a time than nineteen months.

But the restrictions were imposed in September; and how, then, came it to pass that the fall below exchange point began in August, and that on the 8th of that month the price was a few hundredths lower than the exchange would warrant? This fall was insignificant, viz. ·026d. in the oz., or less than $\frac{1}{35}$ of a penny, a fraction at which no sale or quotation would be made, and which would be counterbalanced by a rise in the exchange of about 1 centime, the variations in the quoted rate being never less than $2\frac{1}{2}$ centimes. The exchange varies every moment, and it is impossible to say that the quoted prices correspond exactly in point of time with the quoted

exchange. The exchange may have been a point higher at the particular moment when the Silver quotation was given or the sale made, so the divergence was more apparent than real. It was not till the 12th August that the fall, ·214d. below the price which the exchange should indicate, insignificant as that fall was, deserves any notice, inasmuch as it can hardly be accounted for by the above consideration. Coming events cast their shadows before,[1] and there were rumours in abundance as to the intended action of the French Government. It is obvious, therefore, that when those rumours began, no holder of Silver could be certain that they would not at once be converted from rumour into facts, or feel sure that he *would* at once receive coin for his bullion. Such a holder might then well have been willing to abate his pretensions, and take a shade less for his Silver than its shipment to Paris would produce in normal times; and this the holder of a bill of lading for Silver, who could only sell for forward delivery, would be certain to do.

We may conclude, then, that is wholly incredible that a trifling and often experienced fall of 1d. from the par price of Silver in England should have so frightened the French authorities as to cause them to take the steps which led to the final closing of the Mints to Silver.

There was a very sufficient cause for the limitation of the coinage of Silver. The French War Indemnity had been fixed at £200,000,000 sterling to be paid to Germany, and as Germany had determined to demonetise Silver, it was to be expected that the greater part of the Silver which the Indemnity would enable her to set free, would come to the Paris Mint for coinage. France had already coined in 1873 5-franc

[1] Thus, between the 8th and 25th April, 1890, the price of Silver rose 4d. an oz. on the assumption that some measures might be taken in the United States as to the increased coinage of Silver; whereas a Bill dealing with the subject was not framed until June, and did not come into force until the 13th August.

pieces to the amount of about six million sterling, an amount only exceeded in 1834 and 1849, and greater by about five millions than the average of the previous ten years. There may well, therefore, have been hesitation to coin the undefined but unquestionably large amount of Silver which the action of Germany would almost certainly have thrown upon the Paris Mint.

It is clear, then, that the real cause of the restriction and suspension of Silver coinage in 1873-5 was not the insignificant fall of the price of the metal in London (itself caused by the restriction), or any fears of economic disturbance consequent on a supposed diminution of its permanent value in the world, but the in-pouring of Silver from Germany which overtaxed the powers of the French Mint, and compelled it, as might have been expected, to lessen its output. It is abundantly clear, also, that by that suspension and the cessation of the fixed Mint price, the price of Silver in London was driven from its moorings and suffered to drift hither and thither, and finally fall as low as increased supply and diminished demand could send it.

I think I have now disposed of the allegation that the great fall in the price of Silver was the cause and not the effect of the closing of the French Mint, by showing (1) that such fall in Silver as occurred prior to August, 1873, was well within the limits of variation, which a bimetallic money law not only permits, but assumes, where there is substantial alteration in the circumstances of international supply and demand.[1] (2) That if the operation of the law of 1803 was

[1] Some people seem to suppose that an adjustment between the two money metals is effected without the existence of a commercial motive. Variations and disturbances must occur; but the merit of a free coinage law applied to both metals is that, acting in no mysterious way, but through the pressure of ordinary commercial motives, it both limits the extent of the variations and opens the way to their correction. It acts, as has already been said by others, like the governor of a steam-engine. It checks tendencies to irregularity of action, but it cannot check them until they begin to show themselves. In one case as in the other, though we do not get absolute uniformity, we get uniformity which for all practical purposes is complete.

not sufficient to prevent this fall, it was only because the price, notwithstanding the fall, was always above that which the French Mint at the existing exchange could offer to the English holder, and (3) that such fall as did take place was far too insignificant[1] to cause the French Government to contemplate the limitation of their coinage of Silver, whereas they had ample reasons for their act in the unprecedented influx of Silver from Germany, which, under the then condition of the law, was a forced import, onerous to their Mint and profitable to Germany.

I may admit that there is a theoretical possibility that there might be no Gold in France, and that consequently there might be no "Gold point" at which the rise of the exchange must cease; but practically it is a vain imagination. The only need of Gold is to rectify, from time to time, and instantly, a rising exchange—an exchange unfavourable to France; but the absence of Gold could only have any permanent effect on the value in England of the frs. 6·34033 per ounce on the assumption that there is no recuperative force in France, that her land has lost its productive power, and her people their genius for commerce. Surely it is a commonplace of Political Economy, that the effect of an unfavourable exchange, *i.e.*, of an excess of imports over exports, is to stimulate production and export, and bring about a more favourable course of exchange. That the absence of Gold should of necessity prevent the development of commerce, and the maintenance of an average equality of exchange, is incredible, and contrary to all commercial experience.

I have said above that the rise and fall of the money price of Silver in the market must depend on natural causes. These can be stated in three words, "Supply and Demand."

[1] The fall was but ½d. per ounce, as I have said above, and at no time within that twelvemonth could Silver bought in England have been remitted to France for coinage without incurring a loss, owing to the high exchange.

Nothing else can affect price, whether of commodities in general or of the precious metals in particular. No human laws can affect it except through the medium of those joint forces. Man can regulate supply, and man can check or foster demand. If the supply exceed the demand the price will fall. If the demand exceed the supply the price will rise. If we may conceive the supply as constant but the demand variable, the price will fluctuate; as it will also do if the demand is constant but the supply variable. If, however, the demand is not only constant but constant *at a fixed price*, the variation in the price in the case of consumable commodities (supposing such constant demand to be possible) would be unlimited in an upward direction, and only limited in the case of the precious metals by the power of re-melting coin into bar when bar is needed;[1] but in a downward direction the price must be absolutely limited by that offered by the creator of a perpetual demand. It is Demand and Supply that govern the price, but in the case of an open Mint the demand is constant.

That word Demand has been a stumbling-block to some inquirers. They have imagined that it meant or implied a demand for Silver coin on the part of the people, who, as they rightly aver, have now, or can have, as much Silver coin as they desire and can pay for. But it is a demand not of the people for coins, but of the State for Silver to be coined. The State says to the people: "Here is the Mint; its doors are always open. Bring all the Silver you will, it can never have enough." That is a much more potent kind of demand than the fitful craving prompted by the needs of commerce.

It is not indeed a demand on the part of the public, for no man having a bar of Silver to sell sells it because he has a desire

[1] *E.g.*, In this country no one would give more for Silver than a price equal to a ratio of 14·2878 to 1, because he could melt new half-crowns more advantageously; while in France he would never give more than the melting value of 5-franc pieces.

to possess more Silver coins. He sells it in order to convert his dead and stagnant capital into a living and active form, to get a better balance at his bankers', whereby he can possess himself of as many of the existing Gold and Silver coins as he wants for his daily needs; and very few does he want. The buyer buys his bar of Silver either to export it to the East or to use it in the arts. I have shown that for whatever purpose he wants it he cannot possibly pay less for it, while a law such as the French law of 1803 is in full force, than the equivalent of 200 francs a kilogramme.

It has been said that the reception of Silver by the Mint is no demand at all, because it is not purchase but merely a return in another form of the same ounce of Silver that is brought to it.

That seems to me to be mere logomachy. Whether the action is called purchase or no signifies nothing. Of course it only gives you back the Silver that you bring, but the "other form" in which it returns it is *Money*. There is nothing mysterious about Money, but it has the unique quality of discharging debt. The Mint takes all the Silver you can bring, and what can Demand do more? Can it always do as much?

Again, it is alleged that, even if it be a demand it cannot be constant because it must fail in the end, as the "corner" in copper failed. It is enough to say in answer that any such fictitious demand for a consumable commodity will fail by reason of the difficulty of re-selling; but the Mint demand is, as the other objectors rightly say, only a return of the same commodity in a form which comes amiss to none; and the excess of which is only shown by enhancement of general prices.

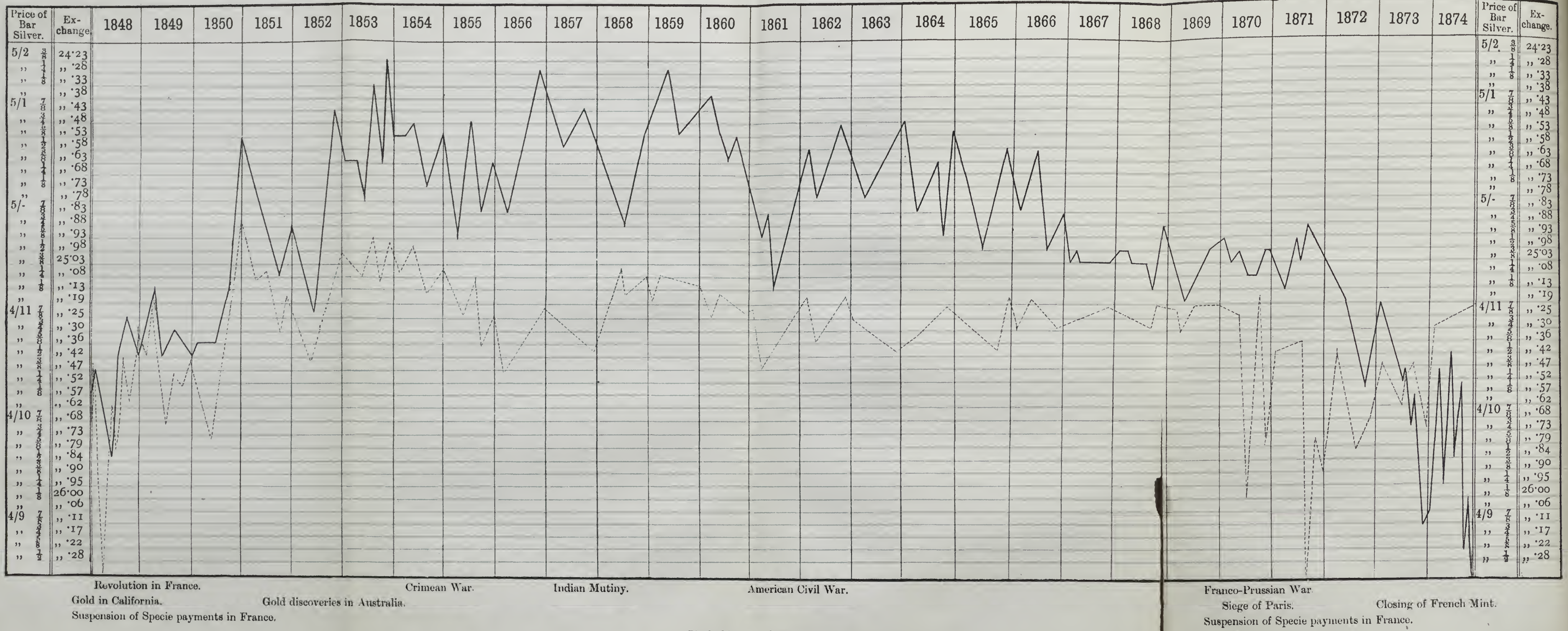
A time might possibly come (though in real life it never did come while the French law of 1803 was in full operation) when the commercial demand—that is to say, the demand for

the arts and for export—would slacken; no more silver plate being needed at the price, and no need existing for export to the East. Then the Mint demand, as being the only other outlet for the Silver, would become positively, as it had been negatively, effective; and Silver would flow to silver-coining countries for coinage. The circulating medium, the measure of value, would accordingly increase, prices of all commodities, except Gold and Silver, would tend to rise, in other words, the precious metals would tend to become depreciated, the demand for them for manufacturing purposes would tend to increase, and the result would be a cessation of the imports to the Mint, and a return to the former state of things.

HENRY HUCKS GIBBS.

CHART showing the course of the PRICE of BAR SILVER in LONDON and of the SHORT EXCHANGE on PARIS for the Years 1848 to 1874.

[REVISED FROM THAT PUBLISHED IN "THE FALL IN SILVER," BY THE SAME AUTHOR (1890).]



Black Line = *Silver.*
Dotted Line = *Rate of Exchange.*

8th November, 1892

The Chart.

The Exchanges in the second column are those at which the corresponding Prices in the first column might, according to the calculations on page 17, presumably be realised by importing Silver into the French Mint.

The black line indicates the general course of price; the dotted line that of the Exchange.

It will be observed that in a few cases the price of Silver has apparently fallen below that which the existing exchange would indicate as obtainable. For example: At the end of the year 1848, when cash payments were suspended at the Bank of France, and when all commercial matters were in a disturbed state, the price of Silver fell to 4/11½, the exchange being at 25·30; whereas the price corresponding to this exchange is about 4/11¾. It should be added, however, that in this table the charges of transit are calculated as now current, whereas they were certainly higher forty years ago, diminishing in proportion the net proceeds of a remittance.

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STATEMENT.

UNTIL the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of 15½ ozs. of Silver to 1 oz. of Gold.

* It may be stated generally that during the last century the national unit of coinage which constituted the Standard of Value in the principal countries practically rested on both metals, Silver being usually the nominal standard with Gold rated to it, at the discretion of each Government.

In the United Kingdom, from 1717 to 1816, this system prevailed, the ratio of Gold to Silver having been fixed at 1 to 15·21.

In the United States of America the joint Gold and Silver Standard was originally adopted in 1786 with a ratio of 15·25 to 1; changed in 1792 to 15 to 1, and in 1834 to 16 to 1.

In 1803 the joint standard, with a ratio of 15½ to 1, was definitively adopted by France, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland, and Greece, extended and confirmed it.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

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* This and the three following paragraphs are from the NOTE appended to the Final Report of the Royal Commission on Gold and Silver, by the Right Hon. Sir Louis Mallet, C.B., one of the Royal Commissioners.

The action of England in 1816, in adopting the single Gold Standard, did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to the unrestricted coinage of Silver; but when Germany which had previously had a Silver Standard in 1873 introduced a single Gold Standard the old equilibrium was destroyed, because France and the other Bimetallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of Silver, as quoted in Gold, to fall, and it (the Gold price of Silver) has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped to 1s. 3½d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon Gold, has led to the "appreciation" of that metal, and to a fall in prices of commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon Commerce, upon Manufacturing and Agricultural industry, and upon the growth of Employment necessary to provide work for our rapidly increasing population.

Whenever the London Money Market is distressed and perplexed by the withdrawal of even small quantities of Gold, and by apprehensions as to further demands, coupled with serious doubts as to the sufficiency of future supplies of that metal, the necessity of fixing an international ratio between Gold and Silver so as to make both metals available for Bank reserves becomes strikingly apparent. This would provide an adequate supply of Money available for international purposes and for the internal transactions of the Kingdom. Grave dangers would thus be averted.

The aim of the Bimetallic League, as already mentioned, is to secure, by international agreement, the opening of the mints of the leading commercial nations to the unrestricted coinage of Silver and Gold at such fixed ratio as may be mutually agreed upon amongst those nations. By this means a Par of Exchange would be secured ; the two metals would again acquire an International character as Money, and would move freely from nation to nation according to the monetary requirements of the various markets, whilst prices and wages in all countries would be adjusted by a uniform Standard.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to Trade and Agriculture, which are largely due to the disturbed relation between Gold and Silver, we appeal to everyone for co-operation in carrying out the objects of the League.

There is every encouragement to press the matter, seeing that the United States of America, France (with the other States of the Latin Union), Germany, and Holland are willing and eager to co-operate.

These Powers, it is known, will not move without England, and, under an erroneous conception of the advantages of a single Gold Standard, this country has hitherto stood aloof.

The Final Report of the Royal Commission on Gold and Silver is, however, of a character so favourable to the Cause advocated by the League that the question is now thoroughly ripe for settlement.

It is advisable, therefore, that the facts of the case may be made widely known throughout the country, in order to bring the force of public opinion to bear upon Parliament and upon the Government, so that England, instead of being a barrier in the way of an International convention, may take her due share in the settlement of a question so vital to the well-being of the

Empire, so essential to the interests of British and Irish Agriculture, and of Commerce everywhere, and to the financial stability of India.

Any further information concerning the League may be obtained from the Secretary, Henry McNiel, F.S.S., Haworth's Buildings, 5, Cross Street, Manchester, who will also acknowledge Subscriptions and Donations.

The League comprises Ordinary Members and Associate Members, the Annual Subscription of the former being One Guinea, and the latter 2s. 6d. Cheques to be made payable to the Secretary.

All publications of the League are delivered free to Ordinary and Associate Members.

Extracts from the Final Report of the Royal Commission on Gold and Silver, 1888.

PART I.

(Signed by all the members of the Commission.)

Sec. 115.—"The Remedy which has been put before us most prominently, and as most likely to remedy the evils complained of to the fullest extent possible, is that known as Bimetallism."

Sec. 186.—"It must be borne in mind that in the case of other commodities (than Gold and Silver) the effect of changes in the supply and demand is both more marked and more immediate. These commodities are generally produced for the purpose of consumption at an early date or within a comparatively short period. The supply at any time available for the market, or capable of being placed on it at short notice, is therefore a very important element in the process by which its value is fixed.

"The precious metals on the other hand are but to a slight extent consumed and the available supply consists of the accumulations of previous years.

"It follows, therefore, that in their case a diminution or an increase in the new supply is of less importance than in the case of consumable articles, and that an increase or diminution in demand has also a smaller effect. The important consideration with regard to them at any one moment is rather the relation between the total stock then in existence and the then existing demands upon it."

Sec. 189.—"Looking, then, to the vast changes which occurred prior to 1873 in the relative production of the two metals without any corresponding disturbance in their market value, it appears to us difficult to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable."

Sec. 190.—"Prior to 1873 the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{5}{8}$d., and the average not quite $\frac{5}{16}$d., while in 1886 the maximum was $2\frac{3}{16}$d., and the average nearly $1\frac{1}{8}$d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

Sec. 191.—"The explanation commonly offered of these constant variations in the silver market is that the rise or depression of the price of silver depends upon the briskness or slackness of the demand for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold from time to time by the Secretary of State for India in Council.

"But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to these influences from day to day and month to month which it now does."

Sec. 192.—"These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?

"Now, undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely $15\frac{1}{2}$ to 1."

Sec. 193.—"Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries is, we think, fallacious.

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the

price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal coin, and would tend to keep the market steady at about that point."

PART II.

Signed by six members of the Commission:—

Lord HERSCHELL.	Hon. C. W. FREEMANTLE, C.B.
Sir JOHN LUBBOCK, Bart., M.P.	Sir T. H. FARRER, Bart.
Mr. J. W. BIRCH.	Rt. Hon. LEONARD H. COURTNEY, M.P.

Sec. 9.—"However much opinions may differ as to the extent of the evil arising from the increased difficulty which a fluctuating exchange interposes, we do not think its reality is open to question."

Sec. 101.—"There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India."

Sec. 102.—"We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased and their difficulty augmented by a further depression in the value of silver."

Sec. 107.—"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to* were to accept and strictly adhere to Bimetallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent."

Sec. 119.—"Apprehensions have been expressed that if a bimetallic system were adopted gold would gradually dispappear from circulation. If, however, the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result.

The United Kingdom, Germany, the United States, and the Latin Union.

"Such a danger, if it existed at all, must be remote. It is said indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver monometallism, the result might be regarded without dissatisfaction.

"We are not prepared to go this length, but at the same time we are fully sensible of the benefits which would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantage of the adoption by these nations of an uniform Bimetallic Standard as a step in that direction."

PART III.

Signed by the other six members of the Commission:—

Rt. Hon. Sir Louis Mallet, C.B.	Sir D. Barbour, K.C.S.I.
Rt. Hon. A. J. Balfour, M.P.	Sir W. H. Houldsworth, Bart., M.P.
Rt. Hon. Henry Chaplin, M.P.	Mr. Samuel Montagu, M.P.

Sec. 28.—"We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connection with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as to their nature and gravity; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873.

"We think that too much stress cannot be laid upon the novelty of the experiment which has been attempted as the result of the above changes. That experiment consists in the independent and unregulated use of both gold and silver as standards of value by the different nations of the world.

"We are strongly of opinion that both metals must continue to be used as standard money; the results of using them separately and independently since 1873 have been most unsatisfactory, and may be positively disastrous in the future.

"It cannot be questioned that until 1873 gold and silver were always effectively linked by a legal ratio in one or more countries.

"It is equally indisputable that the relative value of the two metals has been subject to greater divergence since 1874 than during the whole of the 200 years preceding that date, notwithstanding the occurrence of variations in their relative production more intense and more prolonged than those which have been experienced in recent years."

Sec. 29.—"In 1873-74 the connecting link disappeared, and for the first time the system of rating the two metals ceased to form a subject of legislation in any country in the world.

"The law of supply and demand was for the first time left to operate independently upon the value of each metal; and simultaneously the ratio which had been maintained, with scarcely any perceptible variation, for 200 years, gave place to a marked and rapid divergence in the relative value of gold and silver, which has culminated in a change from $15\frac{1}{2}$ to 1 to 22 to 1."

PROPOSED REMEDY.

Sec. 30.—"It appears to us impossible to attribute the concurrence of these two events to a merely fortuitous coincidence. They must, in our opinion, be regarded as standing to each other in the relation of cause and effect.

"We cannot, therefore, doubt that if the system which prevailed before 1873 were replaced in its integrity, most of the evils which we have above described would be removed; and the remedy which we have to suggest is simply the reversion to a system which existed before the changes above referred to were brought about—a system, namely, under which both metals were freely coined into legal tender money at a fixed ratio over a sufficiently large area.

"The effects of that system, though it was nominally in force only within a limited area, were felt in all commercial countries, whatever their individual systems of currency might be; and the relative value of the two metals in all the markets of the world was practically identical with that fixed by the legislation of the countries forming the Latin Union.

"As regards the possibility of maintaining such a system in the future, we need only refer to the conclusion at which our colleagues have arrived in Sec. 107, Part II. (see above), and with which we entirely agree."

Sec. 34.—"No settlement of the difficulty is, however, in our opinion, possible without international action.

"The remedy which we suggest is essentially international in its character and its details must be settled in concert with the other Powers concerned.

"It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely—

(1) Free coinage of both metals into legal tender money; and

(2) The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

Sec. 35.—"The particular ratio to be adopted is not, in our opinion, a necessary preliminary to the opening of negotiations for the establishment of such an agreement, and can, with other matters of detail, be left for further discussion and settlement between the parties interested.

"We, therefore, submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to their readiness to join with the United Kingdom in a conference, at which India and any of the British Colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

Sec. 36.—"We have indicated what appears to us to be the only permanent solution of the difficulties arising from the recent changes in the relative value of the precious metals, and the only solution which will protect this and other countries against the risks of the future."

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....189

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